

Issuers (Multiple Issuer Pools Only)

The identity of each participating Issuer in the pool referred to within (if a Multiple Issuer pool), and the portion of the initial aggregate principal balance of the pool which corresponds to the principal amount of the mortgage loans contributed to the pool by each Issuer, are as follows:

Issuer	Amount Contributed
	\$

gage. Each mortgage loan in the pool bears at all times an interest rate at least .5 percent but not more than 1.5 percent higher than the interest rate on the securities. Late payment fees and similar charges collected will be retained by the respective Issuer(s) as additional compensation. The respective Issuer(s) shall pay a guaranty fee of .06 percent per annum to GNMA and shall also pay other costs and expenses incident to the servicing of the mortgages. These fees, costs and expenses will not reduce the monthly payments to the holder as described above.

Liability of Issuer(s)

The securities will not constitute a liability of nor evidence any recourse against the Issuer(s). They are based on and backed by the aggregate principal amount of the mortgages insured or guaranteed under the laws of the United States and recourse may be had to the Government National Mortgage Association as provided for in the guaranty.

Custodial Agent

The documents pertaining to each of the mortgages included in each pool or loan package backing this issuance of securities will be held in custody by a custodian acceptable to GNMA.

Termination of Pool Arrangement

The pool arrangement may be terminated at any time prior to the final maturity date of the outstanding securities, provided that the Issuer(s) and all holders of the outstanding securities relating to the pool have entered into a mutually agreeable arrangement for such termination. Upon formal notification with satisfactory evidence that all parties to the termination agreement have concurred, and return of the securities to GNMA for cancellation, the guaranty will be terminated.

Multiple Issuer Pools

If the securities offered hereunder are backed by a multiple Issuer pool, then the following provisions apply. The Issuers, collectively, are each of the institutions which are identified in the records of GNMA and the Central Paying and Transfer Agent as participating Issuers in the within referred pool. The identity of each Issuer, and the respective portions contributed by each Issuer of the initial aggregate principal amount of the mortgages in the pool, are indicated in this Prospectus. The undivided proportional beneficial interest in the pool, which each security represents, relates to all of the mortgages in the pool and not solely to the mortgages contributed by any one of the Issuers. While each of the Issuers has undertaken to service and perform other functions with respect to the portion of the mortgages contributed to the pool by the respective Issuer, none of the Issuers are responsible for performing such functions with respect to the portion of the mortgages contributed to the pool by any other participating Issuer(s). No joint venture, partnership or other association is intended to be formed among the participating Issuers in a multiple Issuer pool, and none of the Issuers are responsible for any acts or omissions of any other participating Issuer(s).

Federal Income Tax Aspects

Certain federal income tax consequences of mortgage-backed securities issued under the GNMA I Program are set forth in Revenue Ruling 70-544, 1970-2 C.B. 6, and Revenue Ruling 70-545, 1970-2 C.B. 7, both modified by Revenue Ruling 74-169, 1974-1 C.B. 147, and both clarified by Revenue Ruling 84-10, 1984-3 I.R.B. 9. These Revenue Rulings hold, in part, that a pool of mortgages will not be considered as an association taxable as a corporation but will be classified as a trust of which the security holders are the owners; that interest on a security is subject to federal income taxation; and that a security represents an interest in real estate or real property for purposes of the Internal Revenue Code. The above holdings have been reaffirmed by the Internal Revenue Service with respect to securities issued under the

GNMA II Program in a private letter ruling issued to GNMA on January 31, 1983. The application of the January 31, 1983 private letter ruling has been extended by the Service in a supplemental ruling issued January 18, 1984.

ERISA Consideration

On May 13, 1982, the Department of Labor issued a final regulation (29 C.F.R. §2550.401b-1), effective June 17, 1982, which provides that when an employee benefit plan ("plan") subject to the Employee Retirement Income Security Act of 1974 ("ERISA") acquires a "guaranteed governmental mortgage pool security," only the security and all of the plan's rights under the security become assets of the plan. Therefore, for purposes of the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of the Internal Revenue Code of 1954, as amended (the "Code"), the plan does not acquire rights in the mortgages backing the security solely on the basis of its purchasing such security. Under the regulation, the term "guaranteed governmental mortgage pool security" is specifically defined to include a mortgage-backed security with respect to which principal and interest payable pursuant to the security are guaranteed by GNMA. The effect of such regulation is to make clear that the sponsor (that is, the entity which organizes and services the pool, in this case the GNMA Issuer), the document custodian and other persons, in providing services with respect to the mortgages in the pool, would not be subject to the fiduciary responsibility provisions of Title I of ERISA, nor be subject to the prohibited transaction provisions of section 4975 of the Code, merely by reason of the plan's investment in a security.

On the basis of the final regulation and class exemptions previously issued by the Department of Labor, the acquisition and holding of the securities by plans are not prohibited by ERISA or the Code.

Yield

In addition to the purchase price, the amount of outstanding principal, the initial interest rate, and the security margin, the following factors should be considered in arriving at a yield figure:

1. The first monthly installment of principal and interest is paid approximately 50 days after the issue date of the security.
2. The interest rate on the security is adjustable annually based on an index, referenced above, determined approximately 80 days prior to the change in the security payment. Also, the adjusted security interest rate will be no more than 1 percent higher or lower than the rate during the immediately prior year, and will never be over 5 percent more or less than the initial security interest rate.
3. Unscheduled prepayments of principal may be made to the security holder from time to time because, among other things, (a) the several mortgages in the pool provide for prepayment without penalty by the mortgagors and (b) when foreclosures occur the pro rata share of each remaining principal balance will be paid to the holder.
4. The security should be viewed as an inherently variable investment because prepayments and foreclosures on mortgages in each pool can occur in amounts varying from complete early liquidation of the pool to minimal or even no early payout. This inherent variability in the security liquidation date may have important consequences to the holder. To the extent that a purchaser invests in the securities with a view to long-term investment, early liquidation, either full or partial, could cause the investor's overall investment program to require adjustment. In addition, the variability of the investment's duration may result in a smaller or larger overall return on the investment than the investor originally anticipated. It should be emphasized that it is possible that one or more of the pooled mortgages will run until final maturity and that, consequently, some of the investor's funds may be outstanding until the maturity date of the securities.

of principal on the pooled mortgages during the preceding month. In addition, the monthly installments of interest shall be subject to change due to annual adjustments to the security interest rate as provided for below. However, regardless of such changes, the monthly installments shall be not less than the interest due on the securities at the initial or adjusted security interest rate, together with any scheduled installments of principal during such month, whether or not collected from the mortgagor, and any prepayments or other early recovery of principal during the preceding month. Final payments shall be made only upon surrender of the outstanding securities.

Monthly payments as described above to be made on all of the securities relating to the pool specified herein shall be apportioned to the holder of each such security in the proportion that the initial security principal amount of such security bears to the initial aggregate principal amount of the pool. Payments will be made by the Central Paying and Transfer Agent, solely out of funds collected from the respective Issuers, or, if an Issuer fails to provide all required funds, out of funds advanced by GNMA.

Each monthly installment on a security will be paid to the holder in whose name the security is registered on the last day of the month immediately preceding the month in which the payment is made. Payments will be made by check, dated the 20th day of the month. The Central Paying and Transfer Agent will issue a single check (or otherwise consolidate payments) to each holder for payments due under all GNMA II securities which the holder owns.

Adjustment to Security Interest Rate

On the security interest adjustment date specified on the front of this Prospectus, the interest rate on the securities will be adjusted as follows:

1. The index, identified above, will be determined for the week for which the index is most recently available 30 days prior to the security interest adjustment date;
2. The security margin specified on the front of this Prospectus will be added to the index, and the resulting sum shall be rounded to the nearest 1/8th, to establish the calculated interest rate;
3. This calculated interest rate will be compared with the current security interest rate. If the calculated interest rate is no more than one percent higher or lower than the current interest rate, it becomes the adjusted security interest rate. If the calculated interest rate is more than one percent higher or lower than the current interest rate, the adjusted interest rate will become that rate which is one percent higher or lower than the current interest rate.
4. **However, in no case may the adjusted security interest rate ever be more than five percent higher or lower than the initial security interest rate.**

The adjusted security interest rate will be reflected in the payment to holders received on the security payment adjustment date specified on the front of this Prospectus.

The following example illustrates the application of several of the foregoing principles:

Assume that a security of \$500,000 is issued with an initial security interest rate of 10.00 percent on January 1, 1984 with a security margin of 1.00 and an interest adjustment date of April 1 (monthly payment of \$4,390). On April 1, 1985, the interest rate is adjusted by adding the index for the week ending March 1 (assume it is 10.24) to the margin of 1.00, which, rounded to the nearest 1/8th will result in a calculated interest rate of 11.25 percent. However, since the interest rate cannot increase by more than one percent in any one year, the adjusted security

interest rate for the second year will be 11.00 percent (10 percent + 1 percent) and the new monthly payment made on May 20 will be \$4,760.

Further, assume that the index for the week ending February 28, 1986 (the index applicable for the April 1, 1986 adjustment) is 10.24 percent (i.e., it did not change from the previous year). Adding the margin of 1.00 to the index of 10.24 percent and rounding to the nearest 1/8th would produce a calculated interest rate of 11.25 percent. Since this rate is less than one percent higher than the previous year's rate (11.00 percent), the new adjusted security interest rate for the period from April 1, 1986 to April 1, 1987 will be 11.25 percent and the new monthly payment will be \$4,850.

From this example, it is evident that by using the index plus a fixed margin to adjust the security interest rate, any increase in the index which cannot be reflected in the adjusted security interest rate because of the ceiling on the interest rate changes, will be reflected in the following year(s) to the extent that it is within the one percent limits allowed and to the extent the index remains at or above the current year's value.

Reports to Security Holders

The Central Paying and Transfer Agent will submit to each registered security holder each month, monthly statements of principal and interest payable currently on the security and its outstanding principal balance after crediting the current principal payment, as well as any change in the security interest rate and other pertinent information. If a holder owns more than one security or owns securities in more than one GNMA II pool, such information will be provided on a pool-by-pool basis. The accounts and records of the Issuers relating to the pooled mortgages shall be maintained in accordance with normal accounting practices and in a manner that will permit the representatives of GNMA to examine and audit such accounts and records at any reasonable time.

Denominations and Transferability of Securities

The minimum authorized initial denomination of the securities offered hereby is \$25,000 and multiples of \$1.00 in excess of \$25,000 as necessary to reach the initial aggregate principal amount of the corresponding loan package.

Each security is freely and fully transferable and assignable, but only on the Security Register maintained by the Central Paying and Transfer Agent. The holder or its duly authorized representative may transfer ownership or obtain the denominational exchange of a security on the Security Register upon surrender of the security to the Central Paying and Transfer Agent, at its GNMA transfer window(s) or through the mail, if the security is duly endorsed by the holder using the form of assignment on the reverse thereof, or any other written instrument of transfer acceptable to GNMA. A service charge in an amount determined by GNMA shall be imposed for any registration of a transfer or denominational exchange of a security, and payment sufficient to cover any tax or governmental charge in connection therewith may also be required.

Servicing of Mortgage Pool

Under contractual arrangements between the respective Issuer(s) and GNMA, the respective Issuer(s) is (are) responsible for servicing and otherwise administering the mortgages which constitute the pool (or applicable loan package) in accordance with generally accepted practices of the mortgage lending industry.

The monthly remuneration of the respective Issuer(s), for their servicing and administrative functions will be, with respect to each mortgage, the excess of the stated interest rate on the mortgage over the stated interest rate on the securities. That amount shall be withheld by the respective Issuer(s) out of interest payments collected on each mort-

GNMA Guaranty-Full Faith and Credit

GNMA is authorized by Section 306(g) of Title III of the National Housing Act to guarantee the timely payment of the principal of, and interest on, securities of the type described herein which are based on and backed by a pool composed of mortgages which are: insured by the Federal Housing Administration under the National Housing Act, as amended; guaranteed by the Farmers Home Administration under Title V of the Housing Act of 1949; or insured or guaranteed by the Department of Veterans Affairs under Chapter 37 of title 38, United States Code. Section 306(g) provides further that "The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection." An opinion, dated December 9, 1969, of William H. Rehnquist, Assistant Attorney General of the United States, states with respect to mortgage-backed securities comparable to those offered hereby that such guaranties under Section 306(g) are authorized to be made by GNMA and "would constitute general obligations of the United States backed by its full faith and credit."

Pursuant to such authority, GNMA upon delivery (release) of the securities will have guaranteed the timely payment of the principal of and interest on these securities.

GNMA Borrowing Authority-United States Treasury

GNMA, in its corporate capacity under Section 306(d) of Title III of the National Housing Act, may issue to the United States Treasury its general obligations in an amount outstanding at any one time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the securities offered hereby. The Treasury is authorized to purchase any obligations so issued.

GNMA warrants to the holders of the securities, that in the event it is called upon at any time to make good its guaranty of the payment of principal and interest on the securities, it will, if necessary, in accordance with such Section 306(d), apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make payments of principal and interest.

Custom and Multiple Issuer Pools

The securities offered hereunder are issued pursuant to the GNMA II Program. Securities issued under the GNMA II Program relate to a mortgage pool, which in the case of any given issuance of securities, may be either a) a custom pool, that is, a pool of mortgages all of which are contributed by the same Issuer, or b) a Multiple Issuer pool, that is, a pool normally consisting of two or more loan packages, each of which is contributed by a separate Issuer. In the case of a custom pool, the Issuer will be named as such on the front page of this Prospectus and on the face of each security issued hereunder. In the case of a Multiple Issuer pool, the securities will be indicated as issued by "Multiple Issuers" on the front page of this Prospectus and on the face of each security, and each of the participating Issuers will be identified on the last page of this Prospectus.

Central Paying and Transfer Agent

All securities issued under the GNMA II Program will provide for payments to holders to be made through a Central Paying and Transfer Agent, which has been duly authorized to act as such on behalf of each respective Issuer. In addition, all GNMA II securities will be transferable only on the books of GNMA's duly authorized Central Paying and Transfer Agent.

Chemical Bank, of New York, N.Y., has been designated as Central Paying and Transfer Agent for the GNMA II Program. Inquiries directed to Chemical Bank in this capacity should be addressed to Chemical Bank at Room 608, 55 Water Street, New York, New York 10041.

Adjustable Payment Mortgages

All mortgages proportionately serving as the base and backing of this security are adjustable payment mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. Changes to the contract interest rate(s) on the mortgages will reflect changes in a national interest rate index which is the "weekly average yield on United States Treasury securities adjusted to a constant maturity of one year" (the "index"). The term "mortgage," as used herein, includes both a note and the mortgage or deed of trust by which it is secured. Each mortgage has a date for the first scheduled monthly payment that is generally not more than two years prior to the issue date of the securities. Pooled mortgages must have their first adjustment date at least one month (for custom pools) or 12 months (for Multiple Issuer pools), but no more than 18 months, after the first payment date on the loans. Securities must have a first adjustment date at least one month (for custom pools); 13 to 15 months (for AR multiple issuer pools); 12 months (for AQ multiple issuer pools) following the issue date of securities. (1) At least 80 percent of the initial aggregate principal amount of a custom pool must be in mortgages with original maturities within 30 months of the latest loan maturity (not applicable to multiple issuer loan packages), and (2) at least 90 percent must be in mortgages with maturities of 20 years or more, except as otherwise disclosed. No mortgage may be more than two months delinquent as to scheduled payments, as of the issue date of the securities.

Each mortgage in this pool provides for annual adjustment of the contract interest rate. Each mortgage has the same interest adjustment date, payment adjustment date, and index reference date (the date of the published index used for calculating interest adjustments) as all other mortgages in the pool. Each mortgage will bear interest at an initial interest rate (which will be at least .50 percent but no more than 1.50 percent above the initial security interest rate designated on the front of this Prospectus) until the first interest adjustment date (the annual date is noted on the front of this Prospectus). During the initial interest rate period, payments will be equal and calculated to fully amortize each loan to maturity at the initial mortgage interest rate. On the first interest adjustment date, and on all such succeeding dates, the interest rate on each mortgage will be adjusted.

The new monthly payment, calculated using the new contract (adjusted) mortgage interest rate, will become effective the month following the month in which the interest rate on the mortgage is adjusted. The new contract mortgage interest rate and monthly payment thereafter will be recalculated annually. Adjustments will be made in a manner similar to that described later in this Prospectus for the adjustments to the security rate and payment.

Payments of Principal and Interest

Principal and interest on the securities shall be remitted in monthly installments on the 20th day of each month. The first such payment will be remitted on the 20th day of the first month following the date of issue. All installments shall be applied first to interest and then in reduction of principal balance then outstanding. Interest shall be paid each month for the preceding month, at the specified initial security interest rate or the adjusted security interest rate (in each case the rate applicable for the preceding month) on the unpaid portion of the principal of the securities at the end of the prior month. The amount of principal due on the securities each month shall be in an amount equal to the scheduled principal amortization due on the pooled mortgages at the beginning of the month in which the payment under the securities is due. However, payment of principal and interest shall be adjustable as set forth below.

Each of the monthly installments of principal shall be subject to change by reason of any prepayments or other early or unscheduled recoveries

Prospectus GNMA II

U.S. Department of Housing
and Urban Development
Government National Mortgage Association

OMB Approval No. 2503-0018 (Exp. 10/31/99)

Adjustable Payment Mortgages

Public reporting burden for this collection of information is estimated to average 0.25 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2503-0018), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

Do not send this form to the above address.

The information is required by Sec. 306(g) of the National Housing Act or by GNMA Handbooks 5500.1 and .2.

\$ _____

_____ % Initial Security Interest Rate

GNMA II Mortgage-Backed Securities (Adjustable Payment Mortgages)

Fully Guaranteed as to Principal and Interest By Government National Mortgage Association

(Backed by the Full Faith and Credit of the United States)

Issued by:

GNMA Pool No.	First Payment Due:
Issue Date:	Maturity Date:
Mortgage Interest and Security Interest Adjustment Date:	Security Margin:
Security Payment Adjustment Date:	

The above information is based on information supplied by the Issuer, if a custom pool, or several Issuers listed on the last page hereof if the securities to be issued under this prospectus are backed by a Multiple Issuer pool, as described below. The Government National Mortgage Association has prepared the balance of the information contained in this Prospectus.

The securities to be issued under this Prospectus provide for timely payment to the registered holders of interest at the initial security interest rate specified above, or at an adjusted security interest rate calculated as described in this Prospectus, plus scheduled installments of principal. These installments of principal and interest (both of which are adjustable) will commence on the 20th day of the month following the month of issue and will continue every month thereafter over the life of the mortgage pool, whether or not such principal and interest shall be collected by the Issuer(s).

Timely payment of principal and interest on the securities is guaranteed by GNMA pursuant to Section 306(g) of Title III of the National Housing Act, Section 306(g) provides that "The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection," and an opinion, dated December 9, 1969, of an Assistant Attorney General of the United States states that guaranties under Section 306(g) of mortgage-backed securities comparable to those offered hereby "constitute general obligations of the United States backed by its full faith and credit."

The securities have not been registered under the Securities Act of 1933 since they are exempt from registration.

Government National Mortgage Association

The Government National Mortgage Association (GNMA) is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development with its principal office at 451 Seventh Street, S.W., Washington, D.C. 20410. It had its origin in the creation of the National Mortgage Association of Washington in 1938. Shortly thereafter, the name of the National Mortgage Association of Washington was changed to Federal National Mortgage Association (the "Pre-1968 Corporation"), a wholly-owned government corporation whose business consisted of the purchase and sale of mortgages insured under the National Housing Act and, after 1948, mortgages guaranteed by the Department of Veterans Affairs.

Pursuant to 1954 legislation, the Pre-1968 Corporation was authorized (1) to conduct Secondary Market Operations (now the business of the present-day Federal National Mortgage Association); (2) to perform

Special Assistance Functions in the purchase of mortgages as authorized by the President of the United States, or by the Congress, to assist in financing home mortgages in instances where established home financing facilities are inadequate (the "Special Assistance Functions"); and (3) to acquire or take over and to manage and liquidate certain other mortgages (the "Management and Liquidating Functions").

Effective September 1, 1968, the Pre-1968 Corporation was partitioned into two corporations, the present-day Federal National Mortgage Association and GNMA. GNMA retained all of the assets and liabilities theretofore acquired and incurred by the Pre-1968 Corporation under its Special Assistance Functions and Management and Liquidating Functions. GNMA continues these activities on a sizeable scale. GNMA was also granted authority to guarantee mortgage-backed securities, as described below.